

ILLINOIS GAMING BOARD MEETING MINUTES
May 11, 1990

Present: William Kunkle, Chairman; Board Members: J. Thomas Johnson, Raymond Neipert, Robert Gibson, Jack Chamblin

Also Present: Bob Steere, Temporary Counsel and Acting Secretary; Morton E. Friedman; Ellen Lewis, IDOR; media, and the general public

The meeting was called to order at 9:40 a.m. by Chairman Kunkle with all Board members present.

The first order of business was approval of the minutes of the Board's April 12, 1990 and April 25, 1990 meetings. The minutes of both meetings were unanimously approved as presented.

The next order of business was the appointment of the Administrator of the Board. Chairman Kunkle announced that Morton E. Friedman had been selected as Administrator.

Whereupon, the Board unanimously verified the appointment of Morton E. Friedman as Administrator of the Illinois Gaming Board.

Chairman Kunkle stated that the appointment of Mr. Friedman had been approved by Roger Sweet, Director of the Illinois Department of Revenue, and introduced Mr. Friedman. Mr. Friedman thanked the members of the Board, and stated that he would conduct himself as Administrator in a manner which would please the Board.

Chairman Kunkle stated that it had been recommended to the Director of the Department of Revenue that Mr. Friedman's salary be set at \$83,000.

The next order of business was the appointment of outside Counsel to assist in the preparation of the Board's application forms and rules. Mr. Steere recommended the appointment of the law firm of Tenenbaum & Senderowitz as outside Counsel, with the primary counsel being William O'Connor and Samuel Tenenbaum of that firm. Chairman Kunkle agreed with Mr. Steere's recommendation, noting Mr. O'Connor's extensive in state government. In particular, Chairman Kunkle stated that Mr. O'Connor's experience as Chief Counsel to the Governor and as the original Director of the Department of Nuclear Safety would benefit the Board in the development of its regulatory and enforcement process.

Whereupon the Board unanimously approved the appointment of Tenenbaum & Senderowitz as outside Counsel to the Illinois Gaming Board.

The next order of business was a report on the progress of the development of the Owner's License Application form. Mr. Steere reported that the portions of the form in addition to the draft portion distributed at the last meeting were being drafted, and that no written comments had been received regarding the draft distributed at the last meeting.

Chairman Kunkle asked for comments from the general public in attendance, and stated that the Board continued to solicit written suggestions and comments.

Lawrence Suffredin, an attorney representing Steamboat, Inc., offered the following comments:

* In many sections the draft asks for information going back to age 18. This could be difficult for persons in their 50's or 60's to supply. The board may want to consider asking for information going back to either age 18 or a specific number of years.

* Because riverboats essentially will be moving casinos, the Board may want to expand upon questions about the experience, qualifications and licensing of the riverboat operators.

* Question 29 relating to lawsuits should be expanded to include administrative hearings.

* The Board should request a waiver of rights from everyone so that it can go directly to the IRS and other investigative agencies to get information.

Member Johnson commented that the format of the draft was a little confusing, and that it might be helpful to include a chart that showed which questions addressed 5% ownership, which addressed 1% ownership, etc.

Mr. Steere proposed that the format be restructured so that there were individual forms to be filled out by 5% owners, by officers and directors, etc.

Member Johnson expressed concern that the language of the questions relating to managers could be read to require disclosure only if a manager had been engaged, and that the Board should require that an applicant engage and disclose its manager of gaming operations, or the application would be considered incomplete.

Mr. Steere agreed, stating the most important focus of the application and the relating background investigation would be on those persons involved in the gaming side of the operation.

Member Johnson asked Mr. Steere whether the Board should allow perfection of a timely filed application which is ultimately found to be incomplete. Mr. Steere responded that, in light of the short time frame this year, the Board might consider a certain amount of flexibility in allowing supplemental information if a good faith effort had been made to file a complete application on time.

Chairman Kunkle asked Mr. Steere when the completed application would be available to applicants, assuming Board approval. Mr. Steere responded that the first week in June was his target deadline, for the applicants must be given sufficient time to respond by the July 1st deadline.

Further comments concerning the draft application were received from the general public:

Mr. Ralph Henninger, representing Jumer's Hotels and Boatworks, offered the following comments:

* It is hoped that once an application is filed it will be deemed complete as soon as possible after July 1st. Then, subject to such things as

background checks, financial statements and proof of casino experience, a letter of intent to grant or deny a license could be issued.

* Member Johnson's suggestion concerning a chart showing how questions are organized is a good idea, for an applicant could check off items as they are completed.

Mr. Sam McMullen, Vice President of Governmental Affairs of Harrah's Hotels and Casinos offered the following comments:

* The personal financial disclosure questions should be in a standardized format in order to aid the efficiency of the application process.

* Additional information is always needed; the right to request this should be specifically reserved.

* The Board should reserve the right to determine whether an applicant may withdraw; in this way you reserve the right to determine someone's suitability once they have filed an application even if they want to back out of the process.

* The Board should take a close look at the Nevada and New Jersey waivers; in both states fundamental constitutional rights are waived.

In terms of other business, Chairman Kunkle proposed that the Board take a formal position on the imposition of a \$500 limit on gambling losses in order to provide guidance to other persons concerned about the issue. Chairman Kunkle noted the testimony given at the Board's April 25, 1990 meeting of Bud Read, past-Chairman of the New Jersey Gaming Control Commission, that a cap on gambling losses will not stop habitual gamblers from gambling, and that a \$500 dollar limit coupled with Illinois 20% gambling tax would severely limit the economic viability of riverboat gambling in Illinois. A discussion ensued between the Chairman, the members of the Board and members of the general public. Among the points raised were the following:

* The time limit on the gaming excursion itself imposes a limit on wagering. In addition, there likely will be wagering limits set on the various tables and machines.

* There would be great difficulty in enforcing a wagering cap; assuming that a cashless wagering system is the best method, it is not clear what would be the affect of cashless wagering on the economic viability of riverboat gambling.

* There are costs which a riverboat gambling operation must meet which a land-based casino does not, such as the cost of running a licensed riverboat with a licensed crew. A wagering cap imposed in addition to these costs and a 20% tax could be very harmful.

* In Nevada's experience, the 6 1/4% gambling tax equates to about a 25% net income tax. With Illinois' 20% gambling tax, this would equate to a much higher tax. That amount of tax in conjunction with a wagering cap could be very serious.

* In Nevada's experience, the most effective way for gaming operators to deal with habitual gamblers is to act as a conduit to get those persons into some kind of meaningful therapy program.

Whereupon the following resolution was unanimously adopted by the Board:

The Illinois Gaming Board does not intend to impose a \$500 per excursion loss limit, and does not recommend that the Legislature do so unless it is prepared to adjust the 20% gambling tax burden to assure the economic success of this tourism development program.

The next meeting of the Board was scheduled for Tuesday, June 5, 1990, at 10:00 a.m. at a location in Springfield, Illinois to be announced.

Upon motion of Member Niepert, seconded by member Gibson, and approved unanimously, the meeting was adjourned at 10:50 a.m.

Robert D. Steere
Temporary Counsel and Acting Secretary
Illinois Gaming Board